

Message Text

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16

ACTION EUR-12

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SUBJECT: GOVERNMENT STATEMENT ON OPENING OF 1976-76

SESSION OF SWEDISH PARLIAMENT

1. SUMMARY. THE GOVERNMENT PROGRAM STATEMENT, PRESENTED BY PRIME MINISTER PALME AT THE OPENING OF THE 1975-76 SESSION OF THE SWEDISH PARLIAMENT OCT. 15, CONCENTRATES HEAVILY ON ECONOMIC AND SOCIAL QUESTIONS AND PARTICULARLY ON MEASURES TO COPE WITH AN EXPECTED INCREASE IN UNEMPLOYMENT THIS COMING WINTER. THE COST FOR STIMULATIVE ECONOMIC MEASURES IS ESTIMATED BY PALME AT SKR 2.0 BILLION (\$455 MILLION). (TEXT OF STATEMENT POUCHED TO EUR/NE).
END SUMMARY.

2. ONLY ABOUT TWO PAGES OF THE STATEMENT ARE DEVOTED TO FOREIGN POLICY, WHICH IS PRESENTED IN BLAND MANNER. THE MAIN POINTS OF THIS SECTION INCLUDE (A) THE CSCE, WITH THE ASSERTION THAT SWEDEN "WILL WORK FOR THE IMPLEMENTATION OF THE RESOLUTIONS AND RECOMMENDATIONS ADOPTED IN HELSINKI",
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(B) DISARMAMENT, WITH THE CALL FOR "FURTHER INTERNATIONAL

COMMITMENTS", (C) PRAISE OF THE UN AS "CLEARLY INDISPENSABLE IN EFFORTS TO PRESERVE AND STRENGTHEN PEACE", AND (D) THE NEED FOR A NEW ECONOMIC WORLD ORDER, AS SYMBOLIZED BY THE SEVENTH SPECIAL UNGA. TWO SENTENCES ARE DEVOTED TO VIETNAM, CITING THE SWEDISH EFFORTS TO ASSIST RECONSTRUCTION IN THAT COUNTRY AND ONE TO PORTUGAL, NOTING SWEDISH ASSISTANCE TO EFFORTS TO ESTABLISH DEMOCRATIC INSTITUTIONS THERE.

3. RECOGNIZING (A) A DECLINE IN WORLD TRADE AND PRODUCTION AND "UNCERTAINTIES IN RATE AND STRENGTH" OF THE EXPECTED ECONOMIC UPTURN, AND (B) DECLINE IN SWEDISH EXPORTS AND PROSPECTS FOR A RECORD CURRENT ACCOUNT BALANCE OF PAYMENTS DEFICIT IN 1975 OF NEARLY SKR 9.0 BILLION, ACCOMPANIED BY FALLING OUTPUT AND EMPLOYMENT, PALME ANNOUNCED HIS GOVERNMENT'S INTENTION TO STIMULATE DOMESTIC ECONOMY. ALTHOUGH MANY OF ANNOUNCED MEASURES AND PROPOSALS ARE NOT NEW, HE HAS EMPHASIZED NEED TO QUICKEN IMPLEMENTATION OF THESE AND OTHER MEASURES TO OFFSET ECONOMIC DOWNTURN. TOTAL ADDITIONAL COSTS TO GOVERNMENT OF MEASURES TO STIMULATE INVESTMENTS, PRODUCTION AND VOCATIONAL TRAINING, AND TO SUPPORT EMPLOYMENT DIRECTLY, ARE ESTIMATED BY PALME TO TOTAL UP TO SKR 2.0 BILLION (\$455 MILLION).

4. AMONG ECONOMIC MEASURES SUGGESTED ARE: ASSISTANCE TO FIRMS FOR STOCKBUILDING IN FORM OF GRANTS AND GOVERNMENT GUARANTEED LOANS (SUBSIDY OF 20 PERCENT OF COST OF BUILDUP OF INVENTORIES ABOUT "NORMAL" LEVEL); EXEMPTION FROM ENERGY TAX FOR CERTAIN ENERGY-INTENSIVE INDUSTRIES; EXTRA TAX DEDUCTIONS FOR INVESTMENTS IN MACHINERY, CONSTRUCTION, HOUSING AND OTHER ACTIVITIES; EXTRA FUNDS FOR CONSTRUCTION OF DAY-CARE CENTERS AND FOR AFTER-SCHOOL CARE; FUNDS TO IMPROVE LABOR EXCHANGES AND FACILITIES TO ASSIST YOUNG PEOPLE ENTERING LABOR MARKET; SPECIAL ATTENTION FOR CERTAIN BASIC INDUSTRIES FACING DIFFICULTIES; AND OTHER STIMULATIVE OR EMPLOYMENT-PROTECTING MEASURES. AS GESTURE TO LABOR GROUPS SEEKING GREATER VOICE IN THE DECISION-MAKING PROCESSES OF PRIVATE FIRMS AND FOR FIVE-WEEK ANNUAL HOLIDY, PALME SAID THAT BILLS FOR THESE PRUPOSES WOULD BE INTROUDUCED IN RIKSDAG. ALSO, IN RESPONSE TO CRITICISM AGAINST SWEDISH TAX SYSTEM, PALME HAS SAID THAT HIS GOVERNMENT WILL MAKE TAX LEGISLATION MORE UNCLASSIFIED

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EFFECTIVE, INCLUDING TEIGHTENING OF TAX LOOPHOLES, AMENDMENT OF CAPITAL GAINS TAX SYSTEM, ETC. PALME ALSO REITERATED POLICIES ANNOUNCED PREVIOUSLY WHICH WOULD FURTHER SOCIAL OBJECTIVES OF HIS GOVERNMENT, E.G. IMPROVED PENSIONS, BETTER WORKER-INJURY INSURANCE, CONSTRUCTION OF DAY-CARE CENTERS, ETC., WHICH HE SAID WOULD BE FINANCED BY CONTRIBUTIONS FROM EMPLOYERS.

5. COMMENT. THE ECONOMIC PACKAGE REFLECTS A NEW ELEMENT OF URGENCY FOR EARLY ACTIONS TO COUNTERACT SLOW-DOWN IN ECONOMIC ACTIVITIES WHICH IS EXPECTED TO PERSIST THROUGH 1976. OF INTEREST IS THAT GOVERNMENT HAD NOT PREVIOUSLY ACKNOWLEDGED IN SUCH EXPLICIT TERMS THE DOWNTURN IN ECONOMIC ACTIVITIES AND NEED TO TAKE STIMULATIVE MEASURES TO STABILIZE ECONOMIC LIVELIHOOD OF THE SWEDISH PEOPLE. DOMESTIC MEASURES, HOWEVER, PROBABLY WILL NOT BE SUFFICIENT TO PREVENT A SUBSTANTIAL WORSENING OF EMPLOYMENT PICTURE. ACCORDING TO SWEDISH FEDERATION OF INDUSTRIES, UNEMPLOYMENT WILL REACH 3.5 PERCENT OF LABOR FORCE THIS WINTER AND ACCORDING TO THIS SOURCE, STIMULATIVE STEPS PROPOSED BY GOVERNMENT ARE ALREADY TOO LATE AND THEY MAY IN FACT BECOME A SOURCE OF INFLATION IN 1977. POLITICALLY, PALME'S PROSPECTS IN 1976 ELECTIONS ARE AT LEAST PARTIALLY DEPENDENT ON HOW VIGOROUSLY HE TAKES ACTIONS TO OFFSET THE EXPECTED SLOW-DOWN IN THE ECONOMY IN 1976.
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